



January 13, 2014

Mr. Robert Martin
Interim President
University of Memphis
314 Administration Building
Memphis, TN 38152-4611

UPS Tracking # 1ZA879640194368323

RE: **Final Program Review Determination**
OPE ID: 00350900
PRCN: 201230727890

Dear Mr. Martin:

The U.S. Department of Education's (Department) School Participation Division – (KCSPD) issued a program review report on November 26, 2012 covering University of Memphis's (U of M) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2010/11, 2011/12 and 2012/13. U of M's final response was received on December 20, 2013. A copy of the program review report (and related attachments) and U of M's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by U of M upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Final determinations have been made concerning all of the outstanding findings of the program review report.

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Danielle Dillon at 816-268-0589.

Sincerely,

(b)(6); (b)(7)(C)

Ralph A. LoBosco
Division Director

Enclosure: Protection of Personally Identifiable Information

cc: Mr. Richard Ritzman, Financial Aid Administrator
Mr. John Morgan, Tennessee State Board of Regents
Dr. Sarah Armstrong, Southern Association of Colleges and Schools

Federal Student Aid

AN OFFICE of the U.S. DEPARTMENT of EDUCATION

School Participation Division – Kansas City

1010 Walnut Street, Suite 336, Kansas City, MO 64106

StudentAid.gov

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for

University of Memphis

Federal Student Aid
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**OPE ID 00350900
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**Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division – Kansas City**

Final Program Review Determination

January 13, 2014

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**Kansas City School Participation Division
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A. Institutional Information

University of Memphis
Southern Avenue
Memphis, TN 38152-4611

Type: Public

Highest Level of Offering: Doctor's degree

Accrediting Agency: Southern Association of Colleges and Schools (SACS)

Current Student Enrollment: 21, 354 (spring 2012)

Percentage of Students Receiving Title IV: 75% (spring 2012)

Title IV Participation (G5, FISAP)

	2011/12 Award Year
Federal Pell Grant Program (Pell)	\$40,645,768
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$527,772 (FCC)
Federal Work Study Program (FWS)	\$869,971 (FCC)
Federal Perkins Loan Program (Perkins)	\$550,174
Federal Direct Loan Program (Direct Loans)	\$136,602,750

Default Rate FFEL/DL: 2011 10.2%
 2010 6.7%
 2009 6.0%

Default Rate Perkins: 2012 17.6%
 2011 18.1%
 2010 22.8%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at the University of Memphis (U of M) from May 7 to May 10, 2012. The review was conducted by Mr. Roy Chaney.

The focus of the review was Return of Title IV Funds calculations and associated functions. The review consisted of an examination of U of M's financial aid files, admission files, business office records, and other data pertinent to the Return of Title IV Funds process. A sample of 32 files was identified for review from the 2010/11 and 2011/12 (year to date) award years. The files were selected judgmentally from a sample of the total population receiving Title IV, HEA program funds for each award year. In addition, four files were selected based on the purging of enrollment status or failure to deliver post-withdrawal disbursements. Appendix A lists the names and partial Social Security numbers of the students whose files were examined during the program review. A program review report was issued on November 6, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning U of M's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve U of M of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Finding

Finding 2. Failure to Perform Return of Title IV Funds Calculations

U of M has taken the corrective actions necessary to resolve Finding 2 of the program review report (PRR). Therefore, this finding may be considered closed. Findings requiring further action by U of M are discussed below.

Resolved Findings with Comments

The following program review findings have been resolved by the institution, and may be considered closed. These findings are included solely for the purpose of discussing resolution of the finding.

Finding 1. Improper Return of Title IV Funds Calculations

Citation Summary: *Federal regulations define a regular student as a person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution. A school must document a student's enrollment in a Title IV-eligible eligible program, and it must also document that an aid recipient is a regular student. HEA Sec 484(a)(1), (b)(3), (4); 34 C.F.R. §§ 600.2, 668.32(a)(1)*

Federal regulations state that if a student does not begin attendance in a payment period or period of enrollment, the institution must:

- (1) Return all Title IV, HEA program funds that were credited to the student's account at the institution or disbursed directly to the student for that payment period or period of enrollment, for Federal Perkins Loan, FSEOG TEACH Grant, Federal Pell Grant, ACG, and National SMART Grant program funds; and*
- (2) For FFEL and Direct Loan funds, the institution must return all FFEL and Direct Loan funds that were credited to the student's account at the institution for that payment period or period of enrollment, and the institution must return the amount of payments made directly by or on behalf of the student to the institution for that payment period or period of enrollment, up to the total amount of the loan funds disbursed. 34 C.F.R. § 668.21(a)*

Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the

student's withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent federal regulations. 34 C.F.R. § 668.22

Federal regulations state that for a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, or a student who takes a leave of absence that does not meet the Department's requirements, the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records. An institution must document a student's withdrawal date determined in accordance with Department requirements and maintain the documentation as of the date of the institution's determination that the student withdrew.

An institution is required to take attendance if—

- (1) An outside entity (such as the institution's accrediting agency or a State agency) has a requirement that the institution take attendance;*
- (2) The institution itself has a requirement that its instructors take attendance; or*
- (3) The institution or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including, but not limited to, requiring that students in a program demonstrate attendance in the classes of that program, or a portion of that program. 34 C.F.R. § 668.22(b)*

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by the institution from its attendance records. 34 CFR § 668.22(b)(1); 2011/12 Federal Student Aid Handbook, Volume 5, Chapter 2

Noncompliance Summary: *In three respects, U of M improperly performed Return of Title IV Funds calculations.*

Failure to include Pell Grant funds in calculation: On a systemic basis, U of M failed to include Pell Grant funds disbursed to withdrawn students in Return of Title IV Funds calculations when the students withdrew early in a term. Rather, U of M has routinely returned disbursed Pell Grant funds to the Department in cases of students who withdraw prior to the end of the institution's "add/drop" period.

For example, the financial aid file and account card of student #6 indicate that on 8/24/10 U of M disbursed \$2,775 in Pell Grant funds, \$3,483 in Unsubsidized Direct Stafford Loan funds, and \$2,737 in Subsidized Direct Stafford Loan funds to the student for the fall 2010 term. The student then began attendance in the fall 2010 term on 8/28/10. On 9/1/10 the student officially withdrew from the term, and on or about 9/17/10 U of M performed a Return of Title IV Funds calculation for the student. However, before performing the calculation U of M, on 9/2/10, returned the full amount

of the disbursed Pell Grant funds to the Department, and did not include the funds in the Return calculation.

In discussions with the U of M financial aid office staff during the on-site portion of the program review, it was confirmed that U of M has maintained a financial aid policy that requires that Pell Grant funds be returned in their entirety for students who withdraw prior to the end of a term's "add/drop" period.

Failure to make post-withdrawal disbursements: On a systemic basis, U of M failed to develop and implement procedures to make post-withdrawal disbursements (PWDs) of funds that were undisbursed at the time the student withdrew. Consequently, students have not received PWDs even though U of M's Return calculations have identified that they are eligible for such disbursements.

For example, the financial aid file and account card of student #27 indicate that the student withdrew from the spring 2011 term on 4/1/11. On or about 4/14/11 U of M performed a Return of Title IV Funds calculation that identified a PWD of \$693 in Pell Grant funds. However, the PWD was not applied to the student's account.

Similarly, the financial aid file and account card of student #33 indicate that the student withdrew from the spring 2011 term on 3/31/11. On or about 4/14/11 U of M performed a Return of Title IV Funds calculation that identified a PWD of \$693 in Pell Grant funds. However, the PWD was not applied to the student's account.

As a further example, the financial aid file and account card of student #34 indicate that the student withdrew from the spring 2011 term on 4/14/11. On or about that same date U of M performed a Return of Title IV Funds calculation that identified a PWD of \$693 in Pell Grant funds. However, the PWD was not applied to the student's account.

Interviews with financial aid office staff performed during the on-site portion of the program review determined that U of M does not routinely make PWDs. The absence of any references to PWDs in U of M's financial aid office internal policies and procedures manual further supports the contention that U of M has no provisions for making the disbursements.

Inaccurate payment period lengths: In four of 32 Return of Title IV Funds calculations reviewed, U of M incorrectly identified the length of the payment period in which the student withdrew.

Student #18 The Return calculation worksheet for the student's 1/25/12 withdrawal identifies the beginning date of the spring 2012 term as 1/12/12 and the scheduled end date as 5/3/12. For the purposes of the Return calculation, U of M calculated that the payment period contained 106 days. However, excluding a break of nine days between 3/3/12 and 3/11/12, the payment period contained 104 days. Consequently the student, having attended for 14 days, completed 13.4 percent of the payment period, rather than the 13.2 percent identified by U of M.

Student #19 The Return calculation worksheet for the student's 1/27/12 withdrawal identifies the beginning date of the spring 2012 term as 1/12/12 and the scheduled end

date as 5/3/12. For the purposes of the Return calculation, U of M calculated that the payment period contained 106 days. However, excluding a break of nine days between 3/3/12 and 3/11/12, the payment period contained 104 days. Consequently the student, having attended for six days, completed 5.8 percent of the payment period, rather than the 5.7 percent identified by U of M.

Student #24 The Return calculation worksheet for the student's 1/18/12 withdrawal identifies the beginning date of the spring 2012 term as 1/12/12 and the scheduled end date as 5/3/12. The institution calculated that the payment period contained 106 days. However, as has already been shown the payment period contained 104 days. The student, having attended for seven days, completed 6.7 percent of the payment period, rather than the 6.6 percent identified by U of M.

Student #32 The Return calculation worksheet for the student's 1/15/12 withdrawal identifies the beginning date of the spring 2012 term as 1/12/12 and the scheduled end date as 5/3/12. The institution calculated that the payment period contained 106 days. However, the payment period contained only 104 days. It is noted that the use of the correct payment period length did not change the completion percentage.

The institution's error in identifying the length of the payment period for the spring 2012 term seems to be that it excluded seven days for a scheduled break that occurred between 3/5/11 and 3/11/11. However, as stated in the 2011/12 Federal Student Aid Handbook, the first day of a scheduled break is the day after the student's last day of class:

"If a scheduled break occurs prior to a student's withdrawal, all days between the last scheduled day of classes before a scheduled break and the first day classes resume are excluded from both the numerator and denominator in calculating the percentage of the term completed."

Consequently, for a student with a standard Monday-through-Friday schedule, the scheduled break of 3/5/11 through 3/11/11 actually began on 3/3/11. As a result, U of M should have deducted nine days rather than seven days from the total number of days in the payment period.

It is noted that the incorrect calculation of the number of days in the spring 2012 term did not place Title IV funds at risk. It is also noted that the amount of Title IV funds that students may have lost access to as a result of the miscalculation is de minimus in nature.

Required Action Summary: In response to this finding, U of M was required to perform three actions.

First, U of M was directed to review the financial aid files for all Title IV recipients for the six months preceding the date of this PRR and identify all students for whom a Return calculation was performed that identified a post-withdrawal disbursement. For each student who failed to be offered or to receive a PWD for any reason other than those discussed in federal regulations, U of M was to make the PWD or, as pertinent, offer the PWD to the student and to have obtained the necessary consent before making the PWD.

Second, U of M was required to review the financial aid files for the 2010/11, 2011/12, and 2012/13 award years and identify all Title IV recipients who either were purged from the institution's enrollment rosters for failing to make arrangements to pay institutional charges, or who officially or unofficially withdrew prior to the end of the institution's "add/drop" period (see Finding 2). For each such Title IV recipient who began attendance prior to withdrawing or being purged, U of M was directed to perform a Return of Title IV Funds calculation that correctly includes all Title IV funds disbursed.

Third, U of M was directed to review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed properly and in a timely manner in the future.

U of M's Response: U of M completed the required review of files. Upon review of the three examples listed in the PRR for failure to make PWDs, U of M disagreed with these examples. U of M reviewed students #27, #33 and #34, and determined that the students had enrolled in three-quarter-time although the Banner enrollment screen incorrectly reflected full-time enrollment. U of M confirmed that the students were paid correctly at three-quarter-time. U of M completed the file reconstruction and determined no additional students qualified for a PWD.

Upon review of all files for the 2010/11, 2011/12, and 2012/13 award years, U of M evaluated each student who was either purged from enrollment rosters for failing to make payment arrangements or who officially or unofficially withdrew prior to the end of the add/drop period. In the case of purged students, U of M attempted to contact each student to determine if he or she had ever attended any classes prior to being purged. U of M provided documentation of confirmed attendance for the students with completed Returns. Based on this information the institution determined that no liabilities are owed to the Department.

Effective April 8, 2013, U of M made several changes to improve attendance tracking. The first change is that U of M will require all students to make arrangements to pay their institutional charges the day before the start of each semester. Students not making payment arrangements the day before the start of each semester will have enrollment purged at that time. The second change is that information will now be recorded electronically on the administrative system for reporting purposes. This will allow faculty to accurately report when a student last attended. The third change is that beginning the first day of classes, the Registrar's office will utilize the administrative systems reporting tool for faculty. From the first day of classes until the add/drop deadline—typically four days—U of M's faculty will be able to electronically report non-attendance for a student. The fourth change is to ensure, as part of the Return of Title IV Funds process, that there is a calculation for potential PWDs.

U of M has made great strides to determine the last dates of attendance for all withdrawn students and provides assurances to the Department all efforts to continue this practice in the future will be made.

Final Determination: The Department reviewed the records submitted for Finding 1. The Department reminds U of M that even though there is an automated system in place,

the institution remains responsible for confirming that its software accurately portrays information in relation to Title IV, HEA processes. U of M has assured the Department that proper computer systems and strengthened policy updates have been implemented. As a result the Department considers Finding 1 to be closed.

Finding 3. Failure to Properly Disseminate Return of Title IV Funds Policies

Citation Summary: *Federal regulations state that included in the required information an institution must make readily available to enrolled and prospective students is a summary of the requirements under 34 C.F.R. § 668.22 for the return of Title IV grant or loan assistance when a student withdraws officially or unofficially. 34 C.F.R. § 668.43(a)(4)*

Noncompliance Summary: *In two respects, U of M's published and on-line consumer information pertaining to student withdrawals did not include current and correct information regarding the Return of Title IV Funds requirements.*

First, as of 5/4/12 U of M had not prepared a summary of Return of Title IV Funds requirements for dissemination to students and prospective students. It is noted that once U of M was made aware of the requirement during the on-site portion of the program review, the institution immediately began the process of preparing a summary of Return requirements for dissemination through the institution's student information websites.

Second, as of 10/4/12 the financial aid page of U of M's website for students contained incorrect information concerning federal requirements for Return calculations. As stated on the page headed "Financial Aid – Dropping All Classes":

"Beginning with the fall 2011 semester, federal regulations require that students who are receiving federal financial aid (grants, loans & work study) AND are registered for any class as of the start of the semester (will) be charged for those classes."

In fact, the federal government's Return of Title IV Funds regulations speak only to the treatment of Title IV funds when a student withdraws. Regarding student charges, the federal regulations state only that the institutional charges used in a Return calculation must be the charges incurred prior to the student's withdrawal. The federal regulations do not dictate an institutional refund policy, and they do not require an institution to actually charge students when they withdraw.

Required Action Summary: *U of M was directed to finalize and disseminate a summary of the Department's requirements for the return of Title IV grant or loan assistance when a student withdraws officially or unofficially. U of M was also directed to revise its published statements regarding institutional charges to reflect that the federal government does not require institutions to charge students when they withdraw.*

U of M's Response: U of M acknowledged that the institution had disseminated an incomplete listing of the requirements regarding the Return of Title IV Funds calculation. U of M has updated its website to include a comprehensive outline of the Return of Title IV Funds process, including examples of earned aid and unearned aid calculations. U of M also acknowledges that statements on its website may have given an incorrect impression concerning federal regulations requiring students who owe institutional charges. All such statements have been removed from the U of M website.

Final Determination: Although there are no liabilities associated with this finding, U of M is reminded of the importance of disseminating accurate Return of Title IV Funds policies. In the future, U of M must regularly review its Return of Title IV Funds procedures to ensure that accurate information is provided to students.

Finding 4. Failure to Provide Notification of Direct Loan Disbursements

Citation Summary: *Federal regulations state that an institution must provide adequate financial aid counseling to eligible students who apply for Title IV program assistance. In determining whether an institution provides adequate counseling, the Secretary considers whether its counseling includes information regarding:*

- (1) The source and amount of each type of aid offered;*
- (2) The method by which aid is determined and disbursed, delivered, or applied to a student's account; and*
- (3) The rights and responsibilities of the student with respect to enrollment at the institution and receipt of financial aid. This information includes the institution's refund policy, the requirements for the treatment of Title IV, HEA program funds when a student withdraws, its standards of satisfactory progress, and other conditions that may alter the student's aid package. 34 C.F.R. § 668.16(h)*

Federal regulations state that before an institution disburses Title IV program funds for any award year, the institution must notify the student of the amount of funds that he or his parent can expect to receive under each program, and how and when those funds will be disbursed. If an institution credits a student's account, the institution must notify the student or parent of the date and amount of the disbursement, the student's right, or parent's right, to cancel all or a portion of a Title IV loan disbursement and have the loan proceeds returned to the holder, and the procedures and the time by which the student or parent must notify the institution that he wishes to cancel the loan or loan disbursement. In addition, the institution must send a notice to the student, in writing, no earlier than 30 days before, and no later than 30 days after, crediting the student's account. 34 C.F.R. § 668.165(a)

Except in the case of loan funds made as part of a PWD, when Perkins, Stafford or PLUS loan funds are being credited to a student's account, the school must also notify the student or parent in writing (in writing means on paper or electronically) of the—

- (1) Anticipated date and amount of the disbursement;*
- (2) Student's (or parent's) right to cancel all or part of the loan or disbursement; and*
- (3) Procedures and the time by which the student (or parent) must notify the school that he or she wishes to cancel the loan or disbursement.*

The timing of the notification varies depending on whether a school obtains affirmative (active) confirmation from a student that he or she wants a loan. Affirmative confirmation is a process under which a school obtains written confirmation of the types and amounts of FSA program loans that a student wants for an award year before the school credits the student's account with those loan funds.

This notification must be sent:

- (1) If the school obtains affirmative confirmation, no earlier than 30 days before and no later than 30 days after crediting the student's account;*
- (2) If the school does not obtain affirmative confirmation, no earlier than 30 days before and no later than 7 days after crediting the student's account.*

If the student or parent borrower wishes to cancel all or a portion of a loan, he or she must inform the school. A school must return the loan proceeds, cancel the loan, or do both, provided that the school receives the loan cancellation request within the following time-frames:

- (1) If the school obtains affirmative confirmation from the student, by the later of the first day of a payment period or 14 days after the date the school notifies the student or parent of his or her right to cancel all or a portion of a loan; or*
- (2) If the school does not obtain affirmative confirmation from the student, within 30 days of the date the school notifies the student or parent of his or her right to cancel all or a portion of a loan.*

If the school receives a student's or parent's request for cancellation after these dates, the school may, but is not required to, honor the request. Regardless of when the request is received, the school must inform the student or parent in writing of the outcome of the request. When acting upon a loan cancellation request, your school must return the loan funds (if received) and/or cancel the loan as appropriate. A school is not responsible for returning any portion of a loan that was disbursed to a student or parent directly (e.g., as a result of a credit on the student's account) before the request for cancellation was received. However, a school is encouraged to take an active role in advising the borrower to return the funds already received.

Direct Loan funds that are returned within 120 days of the disbursement by the school or the borrower, for any reason, are treated as a partial or full cancellation, with the appropriate adjustment of the loan fee and interest. In addition, Direct Loan funds that are returned by a school at any time to comply with a regulatory or statutory requirement are treated as a partial or full cancellation. Direct Loan funds that a borrower returns

(or that a school returns at the request of the borrower) 120 days or more after disbursement are processed as a payment, and there is no adjustment of the loan fee or interest. 2011/12 Federal Student Aid Handbook, Volume 4, Chapter 1

Noncompliance Summary: *On a systemic basis, U of M failed to provide an appropriate notification to students when disbursements of Title IV loan funds are made.*

The absence of loan disbursement notifications was noted in all of the 32 financial aid files reviewed in the file sample noted in Appendix A. The institution's financial aid officer, during on-site discussions, confirmed that U of M did not have procedures for providing Title IV loan disbursement notifications. The institution began preparing policies and procedures to correct this deficiency during the on-site portion of the program review.

Required Action Summary: *U of M was directed to develop and implement policies and procedures to ensure that each student is notified of the anticipated date and amount of the disbursement, the student's—or parent's—right to cancel all or part of the loan or disbursement, and the procedures and the time by which the student or parent must notify the school that he or she wishes to cancel the loan or disbursement.*

U of M's Response: U of M acknowledged that it has not been sending loan disbursement notifications in a timely manner. U of M has established a weekly process for identifying and emailing notifications to students and parents. In addition, a summary report of notifications sent will be provided to the Manager of Student Financial Services for review.

Final Determination: Although there are no liabilities associated with this finding, U of M is reminded of the importance of providing accurate and timely disbursement notifications. In the future, U of M must follow its updated disbursement procedures to ensure that notifications are sent to students and parents in a timely manner.